

II Year-End Closing-Year-End Adjusting Entries

The timely completion of Fiscal Month (FM) 12 (June) activities is important to the beginning of the year-end process. This chapter describes the process for recording and reconciling June transactions and preparing standard year-end adjusting entries. Several other adjusting entries required for CALSTARS are discussed in Chapter III, Year-end Closing-Fiscal Month 13 Processing.

IMPORTANT: Use the new year Organization Control (OC) Table to run automated CALSTARS processes for June (FM12). The new year OC Table must be established by July 1.

COMPLETE JUNE TRANSACTIONS AND RECONCILE

June transactions may be posted to FM 12 after June 30, however, FM 12 is closed after July 31 and no longer available. Therefore, June activities should be completed and reconciled as soon as possible.

New Year Transactions

Accounting transactions to load new year appropriations, allotments, budget plans, encumbrances, etc., may be entered into CALSTARS beginning on July 1.

NOTE: All new year transactions should be entered in FM 01.

Run FM 12 Labor Distribution

Using the new year OC Table, departments should run FM 12 Labor Distribution once the SCO payroll tape is available.

Run FM 12 Cost Allocation/Fund Split

Using the new year OC Table, departments should run FM 12 Cost Allocation/Fund Split as soon as they are ready.

Run FM 12 Variance Allocation/Fund Split

Using the new year OC Table, departments should run Variance Allocation/Fund Split (if applicable) as early as possible.

Close FM 12

FM 12 should be closed (set OC Prior Month Open Indicator to T or N) after all June activity is complete. June reports need to be requested, and June reconciliations need to be completed. The SCO normally completes the Fund and Agency Reconciliation Reports a few days after June 30. As soon as CALSTARS receives these reports from the SCO, they are loaded to department ROPES queues for printing. Review these reports to ensure that all SCO activity has been received and recorded to prevent reconciling items.

USE OF FISCAL MONTH 13 FOR YEAR-END ADJUSTMENTS

A number of accrual entries must be recorded in CALSTARS to accurately reflect the financial position of the department. These entries usually bring the accounting records into conformance with Generally Accepted Accounting Principles (GAAP).

NOTE: All year-end adjusting entries are entered in FM 13.

Use of the Automated Accrual Reversal Process

As described later in this chapter, some year-end adjusting entries are reversed in the new year. Departments have the option of having their FM 13 adjusting and/or reclassification entries reversed automatically when Year-end Open (OC Table Run YEC Indicator set to **E**) is run or manually recording the reversal batches. Exhibit II-1 illustrates the automated accrual reversal process. This process is optional; however, the decision to use it must be made prior to preparing the adjusting entry batches. Specific batching rules must be followed as explained below. This process is only intended for the reversal of those year-end adjusting and reclassification entries that are specifically identified to be reversed in the new year.

FM 13 Adjusting Entry/Reclassification Batches For Automatic Reversal

FM 13 adjusting entry and reclassification batches must be coded as follows in order to be included in the automated reversal process:

- ✧ The Batch Type must be **00** (zero zero);
- ✧ The Batch Number must be an alpha-numeric combination within the range **A01-A99**;
- ✧ The Batch Date and Batch Number combination must be unique (i.e., the same Batch Date/Batch Number combination cannot be re-used); and
- ✧ The batch must be recorded in FM 13.

If an online B22 error message (invalid FM, batch number and/or batch type combination) is displayed when entering a batch, determine if the batch is intended to be reversed in the new Fiscal Year (FY). If so, make the appropriate corrections.

If this error is encountered after batch processing, the batch must be deleted from the Error Suspense File and entered again.

NOTE: Validate that all transactions in an automated reversal batch should be reversed in the new FY.

All automated reversal batches are reversed in the new year during the year-end open (YEO) process.

Processing FM 13 Batches For Automatic Reversal

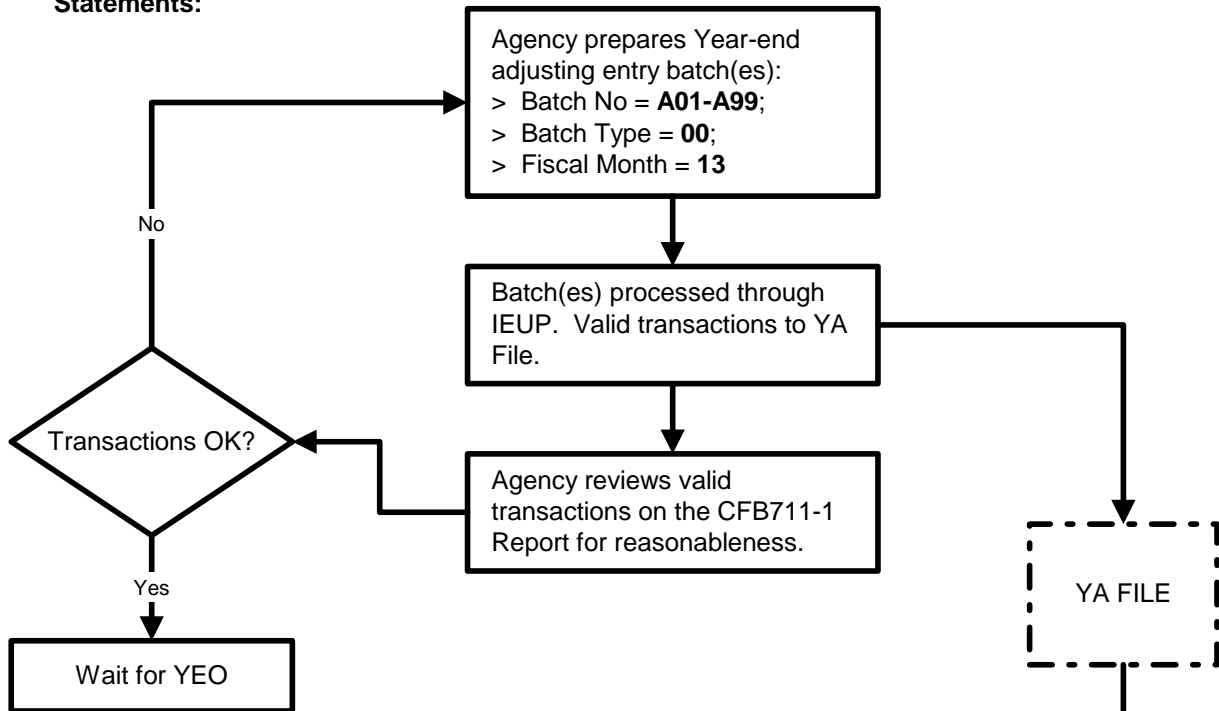
Except for the coding rules for the Batch Header described above and the caution to include only those transactions to be reversed with the same transaction code, there are no special coding or keying rules for the transactions within these batches. The input process is exactly the same as any other batch.

When automatic reversal batches are processed, the system produces a CFB711-1, FM13 Accruals To Be Reversed In New Year Report (Exhibit II-2). This report, which is routed to department printers along with the other Input, Edit, and Update Process (IEUP) reports, displays all transactions that posted to the Year-End Adjustment File (YA File) during nightly processing. This report should be reviewed to verify that all posted transactions should be reversed in the new FY. Inappropriate transactions cannot be deleted from the YA File; however, reversal transactions in the new FY may result in errors that require correction or additional adjusting entries.

The standard requestable report CSTARY01, Listing of Accruals To Be Reversed In The New Year (Exhibit II-3), lists all records in the YA file as of the date requested. A CSTARY01 report should be ordered after all adjusting entries have been posted.

Exhibit II-1
AUTOMATED ACCRUAL REVERSAL PROCESS

**I. Prior to preparing
Year-end Financial
Statements:**



**II. Carry Forward to
New Fiscal Year:**

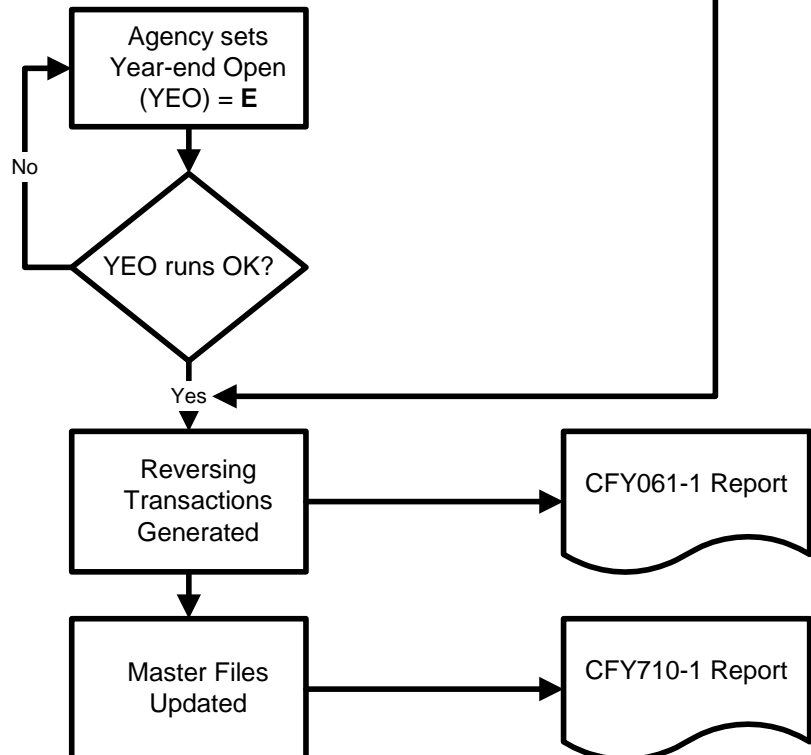


Exhibit II-2

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CFB711-1 9990 (DEST: A1 CTL1) ***** DEPARTMENT OF AIR QUALITY ***** ORG NUMBER: 9990
                                CALSTARS      FM13 ACCRUALS TO BE REVERSED IN THE NEW YEAR  REPORT      ORG PAGE: 1
07/06/08 (20.00)*****RUN PAGE: 7

*-- TRANS ID ---* TC  M  R  FY  FM  REF-DOC-NO  VENDOR-NO/SFX  DOC-DATE  CURR-DOC-NO  INDEX  PCA  OBJ/AGCY  TRANSACTION AMOUNT
                   PRJ-NO/WP  SOURCE/AGY  AS    FUND  FS  FD  MD  SUBIDIARY  GLAN  VENDOR NAME
08070600A01000010 517      07  13              015   0001   G  00   1  2540000      OCA63837 01          10050          15,777.00
08070600A01000020 519      07  13              015   0001   G  00   1   06/30/08  OCA63837 02  1000   10050          6,320.00

                                TRANSACTION TOTAL:                2          22,097.00

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Exhibit II-3

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CSTARY01 9990 (DEST: AA SPEC) PY, ,0,0,0,0,      ,      ,      ,      ,      ,      ,      ***** RUN:07/31/08 TIME:06.00
PRIOR FISCAL YEAR: 2007                          ****
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DEPARTMENT OF AIR QUALITY
LISTING OF ACCRUALS TO BE REVERSED IN THE NEW YEAR
POSTED THRU 07/31/08

***** PAGE 1

*--	TRANS ID	----	TC	M	R	FY	FM	REF-DOC-NO	VENDOR-NO/SFX	DOC-DATE	CURR-DOC-NO	INDEX	PCA	OBJ/AGCY		TRANSACTION AMOUNT
	BSEQ				PRJ-			SOURCE/AGY	AS FUND FS	FD MD SUBSIDIARY	GLAN		VENDOR NAME		PROC-DATE	
08072000A01000010	593				06		13			06/30/08	SUB-1319-00					990.71
									0001 G		1319000				07/20/08	
									TRANSACTION COUNT:		1			TOTAL AMOUNT:		990.71
08072600A02000010	524				06		13			06/30/08	A2GL1400-00					5,230.12
								980	0001 G		1				07/26/08	
08072600A02000020	521				06		13			06/30/08	A2GL1710-00					15,628.00
								980	0001 G		1				07/26/08	
08072600A02000030	527				06		13			06/30/08	A2GL3010-00					1,775.21
								980	0001 G		1				07/26/08	
									TRANSACTION COUNT:		3			TOTAL AMOUNT:		22,633.33
08072700A31000010	541				05		13			06/30/08	RECL6297-01					105.64
								001	0001 G		1 00010000				07/27/08	
08072700A31000020	540				05		13			06/30/08	RECL6297-02					105.64
								900	0001 D		1 00010000				07/27/08	
08072700A31000030	541				06		13			06/30/08	RECL6297-03					1,474,030.78
								002	0001 G		1 00010000				07/27/08	
08072700A31000040	541				06		13			06/30/08	RECL6297-04					997,608.38
								004	0001 G		1 00010000				07/27/08	
08072700A31000050	540				06		13			06/30/08	RECL6297-05					2,471,639.16
								900	0001 D		1 00010000				07/27/08	
									TRANSACTION COUNT:		5					4,943,489.60

PREPARE STANDARD YEAR-END ADJUSTING ENTRIES

The standard adjusting entries required at year-end are illustrated in the State Administrative Manual (SAM) Sections 10600-10615. They are designated as entries A-1 through A-13.

NOTE: All year-end adjusting entries are entered in FM 13.

ENTRY A-1: Record Undeposited Receipts

The A-1 entry adjusts the department's GL 1110-General Cash and GL 1120-Agency Trust Fund Cash accounts to accurately reflect the amount deposited in the department's accounts with the State Treasurer. Entry A-1 is required for cash received but not deposited by June 30, including warrants issued by the SCO dated June 30 or earlier. The A-1 entry does not apply to warrants issued to repay the Office Revolving Fund (ORF). Enter the appropriate TC to post the cash receipt in addition to the following:

To adjust GL 1110-General Cash for Undeposited Revenue, Abatements or Reimbursement Receipts and other nominal GL accounts:

TC 535-A-1 Adj Gen Cash for Undeposited Receipts (with Source)
Dr. 1190 Cash on Hand
Cr. 1110 General Cash

This TC must be coded with a PCA or AS and a Source. Use this TC to record undeposited receipts when the original cash receipt required a PCA or AS and Source.

To adjust GL 1110-General Cash for Undeposited Advance Collections, Liabilities for Deposit and Uncleared Collection Receipts:

TC 536-A-1 Adj Gen Cash for Undeposited Receipts (without Source)
Dr. 1190 Cash on Hand
Cr. 1110 General Cash

To adjust GL 1120-Agency Trust Fund Cash:

TC 529-A-1 Adj Agy Cash for Undeposited Receipts
Dr. 1190 Cash on Hand
Cr. 1120 Agency Trust Fund Cash

A-1 entries are reversed in the new year. Auto-reverse batches are recommended.

ENTRY A-2: Adjust Revolving Fund Cash Account

The A-2 entry records the departments ORF activities (e.g., salary advances, travel advances, vendor advances) and the ORF cash balance as of June 30.

ORF activity can be recorded in CALSTARS or outside of CALSTARS. If ORF activity is recorded in CALSTARS, ORF activity is recorded in the ORF account (Fund 0998). The total amount of the Revolving Fund advance is recorded in the advancing fund as GL 1400 – Due From Other Funds (Subsidiary 09980000) and Account Type 97 throughout the year.

If ORF activity is not recorded in CALSTARS, the Revolving Fund advance is recorded in the advancing fund as GL 1130, Revolving Fund Cash.

Several A-2 entries are common to all departments. Other entries are dependent upon:

- ★ Whether CALSTARS ORF (Fund 0998) and a Clearing Account are used; and
- ★ Whether the Clearing Account and the Revolving Fund advance are in the same fund.

NOTE: Any entries that result in an error message due to an abnormal document balance can be posted by entering **W** in the Err Ovrd field on the financial transaction input screen, by using Command **C.3** fund control override procedures (**44, W**), or by changing position '3' (DF BAL-PY13) in the fund-related error severity segment of the OC Table to **W**. (The table entry must be in the same FFY as the transaction.)

A-2 Entries Common to All Departments

Refer to the chart below and make the entries in the fund that advanced cash to ORF, if applicable. The A-2 adjusting entries must be posted using the Appropriation Symbol for the ORF advance (Account Type 97).

A-2 ENTRY-TCs COMMON TO ALL DEPARTMENTS				
TC	Debit	Credit	Description	Refer to Notes Below
521	1710	1130	Record Year-end Expense Advances	1
525	2600	1130	Record Year-end Deferred Charges	2
528	1316	1130	Record ORF Cash Shortages	
531	1190	1130	Record Year-end ORF Cash on Hand	3
534	1160	1130	Record Amount Advanced to Bank for Bank Draft Account	

- 1) Combine unreimbursed advances for GLs 1710, 1712 and 1714 that have not been accrued via the A-8 entry. For the unreimbursed advances accrued as expenditures via the A-8 entry, use TC 527.

- 2) GL 2600 is not displayed on the DB1/DB2 Reports. Therefore, the SCO/CALSTARS Reconciliation for the Category 97-Revolving Fund Advance appropriation will be off by the amount of the TC 525 entry.
- 3) Include SCO warrants issued June 30 or prior to reimburse the ORF that have not yet been received or deposited.

After completing the **common entries**, select an option:

OPTION TABLES FOR A-2 ENTRIES

DEPARTMENTS USING A CLEARING ACCOUNT		
Use CALSTARS ORF Fund 0998?	Clearing Account and Revolving Fund Advance in the same Fund?	Use Common Entries and Option #:
No	Yes	1
Yes	Yes	2
No	No	3
Yes	No	4

DEPARTMENTS WITH NO CLEARING ACCOUNT	
Use CALSTARS ORF, Fund 0998?	Use Common Entries and Option #:
No	1
Yes	2

Options 1 & 2

Refer to the chart below and make the following entries as applicable in the fund that **advanced** cash to ORF in addition to the A-2 entries common to all departments.

Options 3 & 4

Refer to the chart below and enter TCs 524, 526 and 527 as applicable in the fund containing the Clearing Account. This assumes the Clearing Account contains claim schedules reimbursing ORF and A-8 entries accruing unreimbursed ORF advances.

A-2 ENTRY-ADDITIONAL TCs REQUIRED FOR OPTIONS 1-4								
Option*				TC	Debit	Credit	Description	Refer To Note Below
1	2	3	4					
	A		A	520	1130	1400	Record Year-end Revolving Fund Cash	4
A	A	C	C	524	3020	1130	Record Year-end ORF Reimbursement Claim Schedules (filed and not paid)	1
		C	C	526	1130	3110	Record Year-end ORF Appropriation as Due to Other Funds	5
A	A	C	C	527	3010	1130	Reduce Accounts Payable by Amounts Previously Paid by Revolving Fund	2, 3
		A	A	539	1400	1130	Record Amount Advanced to Other Funds by Revolving Fund	5

*A—record entries in the Advancing Fund

*C—record entries in the Clearing Account

- 1) Do not include claims paid by the SCO as of June 30 if the warrant or the ORF replenishment deposit has not been credited to the department's bank account by June 30. The undeposited warrants/ORF replenishment claims are recorded in the A-2 entry with TC 531 (Refer to A-2 Entries Common To All Departments).
- 2) Debit balances in GL 3010 display as "Reclass Accts Payable/Enc" on the DB1 Report.
- 3) TC 527 is posted for the amount of any unreimbursed ORF advances that are accrued as expenditures via the A-8 entry.
- 4) TC 520 is not reversed in the new year--use TC 508 in the new year.
- 5) The amount for this entry should be the total amount of the TC 524 and TC 527 entries.

All A-2 entries (except TC 520 used in option #2 and #4 discussed previously) are reversed in the new year. Auto-reverse batches are recommended for A-2 entries.

Exhibit II-4 displays an example of an ORF trial balance for departments that use CALSTARS Fund 0998 to record ORF activities. Note that the amount in the GL 3110, Due to Other Funds account represents the total ORF accountability. This amount is offset by GL 1400, Due From Other Funds amount in the General Fund (advancing fund). The Revolving Fund reconciliation for the ORF General Ledger shown in Exhibit II-4 is illustrated in Exhibit II-5. Exhibit II-6 displays the A-2 entries that would be made based on the Revolving Fund reconciliation.

EXHIBIT II-4

CSTARG01 9990 (DEST: A1 CTL1) PY,Y,0,0,0,1, , , , , , , , ***** RUN:07/31/08 TIME:19.02
PRIOR FISCAL YEAR: 2007 0(ORG)***** 1(FUND) FUND(ALL) GL(ALL)

DEPARTMENT OF AIR QUALITY (9990)
TRIAL BALANCE OF GENERAL LEDGER ACCOUNTS
AS OF 06/30/08

***** PAGE 5

FUND: 0998 OFFICE REVOLVING FUND

GL ACCT	ACCOUNT TITLE	D/C	BEGINNING BALANCE	DEBITS	CREDITS	ENDING BALANCE	ACCT NO.
1130	REVOLVING FUND CASH	D	135,050.13	136,649.73	251,690.17	20,009.69	1130
1190	CASH ON HAND	D	0.00	104.13	0.00	104.13	1190
1400	DUE FROM OTHER FUNDS OR APPROPRI	D	36,397.51	86,924.85	11,610.05	111,712.31	1400
1710	EXPENSE ADVANCES	D	17,705.91	138,731.54	116,680.79	39,756.67	1710
1712	TRAVEL ADVANCES	D	6,946.38	28,215.41	7,574.59	27,587.20	1712
1714	SALARY ADVANCES	D	3,900.07	16,433.37	19,503.44	830.00	1714
3110	DUE TO OTHER FUNDS OR APPROPRIAT	C	200,000.00-	0.00	0.00	200,000.00-	3110
9998	START OF SYSTEM CLEARING ACCOUNT	D	0.00	0.00	0.00	0.00	9998
*TOTAL FUND	0998		0.00	407,059.04	407,059.04	0.00	

EXHIBIT II-5

DEPARTMENT OF AIR QUALITY (9990)
REVOLVING FUND RECONCILIATION
As of June 30, 2008

Cash:

Cash Book Balance	\$ 20,009.69	
Cash in sub-revolving funds, undeposited receipts, and undeposited warrants for reimbursement of revolving fund	<u>104.13</u>	\$ 20,113.82

Advances:

Expense advances	39,756.67	
Travel advances (listing attached)	27,587.20	
Salary advances (listing attached)	<u>830.00</u>	68,173.87

Vouchers pending reimbursement by SCO warrant (including vouchers scheduled but not paid-listing attached)		<u>111,712.31</u>
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Amount of revolving fund withdrawn from appropriation		<u>\$ 200,000.00</u>
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I. Did Good
Prepared by

U. R. Dunne
Reviewed by

EXHIBIT II-6

A-2 ENTRIES BASED ON REVOLVING FUND RECONCILIATION

G01 REPORT or MANUAL LEDGERS	PER REVOLVING FUND RECONCILIATION	COMMON ENTRIES TC & AMOUNT	OPTION #2 ENTRIES TC AND AMOUNT
1130 Revolving Fund Cash	Cash Book Balance		
1190 Cash on Hand	Cash in Sub-Revolving Funds (Petty Cash), Undeposited Receipts, etc.	(A) <u>\$104.13</u> TC 531 Dr. 1190 Cr. 1130	
1400 Due From Other Funds	Vouchers Pending Reimbursement (Claims Filed)		(B) <u>\$111,712.31</u> TC 524 Dr. 3020 Cr. 1130
1710 Expense Advance 1712 Travel Advance 1714 Salary Advance	Expense Advances Travel Advances Salary Advances	(C) <u>\$68,173.87</u> TC 521 Dr. 1710 Cr. 1130	
3110 Due To Other Funds	Amount of ORF Withdrawn From Appropriation		(D) <u>\$200,000.00</u> TC 520 Dr. 1130 Cr. 1400

GL 1130-ORF CASH			
(D)	200,000.00	104.13	(A)
		111,712.31	(B)
		68,173.87	(C)
	20,009.69 (Cash Book Balance)		

This exhibit does not include any warrants issued by SCO on June 30 or prior for payment of ORF reimbursement claims, but not received and/or deposited by the department as of June 30. It also does not include an adjustment for any outstanding advance amounts that are also accrued in the A-8 entry. If applicable, adjustments need to be made for the A-2 Entry as follows:

- 1) SCO warrants issued by June 30 for ORF reimbursement but not received or deposited.
Increase the Cash on Hand included in TC 531 entry by the SCO warrant(s) amount.
Decrease the vouchers pending reimbursement included in TC 524 entry by the same amount.
- 2) Expenditures/Accounts Payables accrued in A-8 entry for items paid with ORF Advance
Decrease the advances included in TC 521 by the amount(s) included in the A-8 entry.
Record TC 527 in the A-2 entry to reduce Accounts Payable by the same amount.

ENTRY A-3: Reimbursement and Abatement Accrual

The A-3 entry records reimbursements and abatements due to the department but not yet recorded in CALSTARS. These entries are normally made in CALSTARS throughout the year as invoices are prepared. Any amounts due to the department at year-end, but not yet recorded, should be accrued using A-3 entries. The transaction codes used to record accruals are the same that are used during the year to establish receivables as abatements or reimbursements.

TC 122-Record Billing of Accounts Receivable-Reimbursements

Dr. 1312 Accounts Receivable-Reimbursements

Cr. 8100 Reimbursements

TC 123-Record Billing of Accounts Receivable-Abatements ^{1/}

Dr. 1311 Accounts Receivable-Abatements

Cr. 9000 Expenditures

TC 129-Record Amount Due From Other Governments as Reimbursements

Dr. 1500 Due From Other Governments

Cr. 8100 Reimbursements

TC 130-Record Amount Due From Other Governments as Abatements ^{1/}

Dr. 1500 Due From Other Governments

Cr. 9000 Expenditures

TC 174-Record Amount Due From Other Funds as Reimbursements

Dr. 1400 Due From Other Funds or Appropriations

Cr. 8100 Reimbursements

TC 175-Record Amount Due From Other Funds-Abatements ^{1/}

Dr. 1400 Due From Other Funds or Appropriations

Cr. 9000 Expenditures

A-3 entries not supported by invoices should be reversed in the new FY and re-entered as invoices are prepared. Auto reverse batches are recommended for entries not supported by invoices.

NOTE: For Auto Year-end participants using TCs 129, 130, 174, and 175, establish a separate Current Document Number when the Subsidiary changes.

Departments should prepare separate entries to accrue reimbursement receivables resulting from encumbrances. These entries may be useful in identifying the encumbrance amounts to be reported on Report 1, Report of Accruals to Controller's Accounts.

These entries typically are not supported by invoices and should be reversed in the new year.

^{1/} Abatements require both an object detail and a source . Transactions are made in the Clearing Account if the original expenditure was made in the Clearing Account.

If reimbursements from another fund or appropriation have been over-collected and the amount of the over-collection will be refunded to the fund or appropriation after June 30, accrue the amount with the following entry:

TC 553-Accrue Reimbursement Refund Due From Other Funds/Appns
Dr. 8100 Reimbursements
Cr. 3110 Due To Other Funds or Appropriations

TC 553 is reversed in the new year. Auto-reverse batches are recommended for this entry.

Operating transfers from the General Fund to a Special fund are treated as "Less Funding Provided By" (Negative Expenditures) in the Special fund. If the operating transfer from the General Fund to a Special fund has not occurred as of June 30, the operating transfer-in must be accrued in the Special fund using the following entry:

TC 560-Accrue YE Transfer-In-Negative Expenditures
Dr. 1400 Due From Other Funds
Cr. 9000 Expenditures

TC 560 is reversed in the new year. Auto-reverse batches are recommended for this entry.

In the new year, when SCO posts the transfer, use TC 242R to record the operating transfer-in into the Special fund.

ENTRY A-4: Reclassify Items for Reverted Appropriations

"Accounts Receivable" and "Due Froms" for abatements and reimbursements that are not cleared by June 30 must be reclassified to GL 1600-Provision for Deferred Receivables. CALSTARS provides an automated process (CFY022-Documents File Reclassification/Liquidation Process) to assist departments to identify and reclassify documents within reverting appropriations. For reverting appropriations that were correctly identified in the AS Table when the CFY022 transactions were generated in early May, the A-4 entry would already be posted. However, if reverting appropriations were improperly identified in the AS Table, the A-4 entry must be manually posted. These receivables may be identified by reviewing the D06, Document Report by Appropriation.

Departments should use the following entries to record the A-4 adjusting entry for receivables that CALSTARS did not reclassify. For each receivable, two transactions must be posted.

First transaction:

TC 576-A-4 Establish AR Other (Reclass CFY022 & CFY023)
Dr. 1319 Accounts Receivables-Other
Cr. 1600 Provision for Deferred Receivables

OR

TC 577 – Establish Negative A/R (Reclass – CFY022 & CFY023)

Dr. 1600 Provision for Deferred Receivables
Cr. 1319 Accounts Receivable Other

NOTE: TC 576 is for positive amounts and must be used with one of the following TCs listed below. For negative amounts, use TC 577. TCs used in conjunction with TC 577 must use Reverse code **R**. Both TC 576 and TC 577 should be recorded at the fund level only.

Second transaction (one of the following):

TC 555-A-4 Reclass A/R Abatement-Reverted Appn (CFY022)

Dr. 9000 Expenditures
Cr. 1311 Accounts Receivable-Abatements

TC 556-A-4 Reclass A/R Reimbursement-Reverted Appn (CFY022)

Dr. 8100 Reimbursements
Cr. 1312 Accounts Receivable-Reimbursements

TC 572-A-4 Reclass Abate Due From Oth Funds-Reverted Appn

Dr. 9000 Expenditures
Cr. 1400 Due from Other Funds or Appropriations

TC 573-A-4 Reclass Reimb Due from Oth Funds-Reverted Appn

Dr. 8100 Reimbursements
Cr. 1400 Due from Other Funds or Appropriation

TC 574-A-4 Reclass Abate Due from Oth Govts-Reverted Appn

Dr. 9000 Expenditures
Cr. 1500 Due From Other Governments

TC 575-A-4 Reclass Reimb Due from Oth Govts-Reverted Appn

Dr. 8100 Reimbursements
Cr. 1500 Due From Other Governments

Refer to Volume 7, Chapter I, Preparation Activities, section *Reclassify/Liquidate Reverting Appropriation Document File Balances*, for procedures on cash collections.

A-4 entries are **NOT** reversed in the new year.

ENTRY A-5: Accrue Interest Earnings on Investments

The A-5 entry accrues interest earnings on investments to reflect the appropriate adjustments to accrued interest purchased, premiums, and discounts. Source **215n00** is used to identify investment interest earned, where **n** identifies the type of interest (per the UCM).

TC 121-Record Billing of Accounts Receivable-Operating Revenue
 Dr. 1314 Accounts Receivable-Operating Revenue
 Cr. 8000 Revenue

TC 548-A-5 Record Amortization of Discount on Securities
 Dr. 2014 Discount on Securities
 Cr. 8000 Revenue

TC 549-A-5 Record Amortization of Premium on Securities
 Dr. 8000 Revenue
 Cr. 2013 Premium on Securities

TC 550-A-5 Record Amortization of Accrued Interest Purchased
 Dr. 8000 Revenue
 Cr. 1320 Accrued Interest Receivable

A-5 entries are **NOT** reversed in the new year.

ENTRY A-6: Record Interest Due From Other Funds

The A-6 entry accrues interest revenue that is due from other funds. This includes interest income due from inter-fund loans and deposits in the Surplus Money Investment Fund (SMIF). A Source and a Subsidiary are required for this entry.

TC 176-Record Amount Due From Other Funds as Revenue
 Dr. 1400 Due From Other Funds or Appropriations
 Cr. 8000 Revenue

SMIF Interest Due

Departments receive journal entries (JE's) for SMIF interest as of June 30. The A-6 entry for interest due from SMIF is posted using information from the JE. (The General Fund share of SMIF interest is not posted on any department's books.) The interest amount can also be accessed via SCO PROD.

For interest earned on governmental funds use Source **150300**-Income From Surplus Money Investments. For interest earned on Operating Revenues from proprietary and fiduciary funds use Source **250300**-Income From Surplus Money Investment Fund. Use Subsidiary **06810000** in both instances.

A-6 entries are **NOT** reversed in the new year.

Note: Post the June 30 SMIF Interest Income JE in FM01 using TC 135 as follows:

TC 135 – To Record SCO Cash Receipt Of Due From Other Funds/Revenue
Dr. 1140-Cash in State Treasury
Cr. 1400-Due From Other Funds Or Appropriations

ENTRY A-7: Abatements for Surveyed Equipment

The A-7 entry accrues an abatement for the estimated value of surveyed equipment available for sale. This entry is displayed on the CSTARH11 Report, General Fixed Asset Transaction Analysis Report. The A-7 entry is used only if the equipment has been budgeted for replacement. Source **580600** is used for this abatement.

In the fund which will purchase the new asset, record the following for the amount of the expected sales price:

TC 546-A-7 Record Abatement for Surveyed Equipment
Dr. 2740 Inventory of Surveyed Equipment
Cr. 9000 Expenditures

NOTE: The FM 13 reconciliation will be out of balance by the amount of this entry.

In Fund 0997 (and Fund Detail), record the following for the amount of the original purchase price:

TC 494-Record Write-Off of Non-Expendable Assets
Dr. 5200 Investment in General Fixed Assets
Cr. 23nn Fixed Asset Account (nn=10, 21, 31 or 41)

A-7 entries are reversed in the new year. Auto-reverse batches are recommended.

ENTRY A-8: Accrual of Expenditures

The A-8 entry accrues expenditures as "Accounts Payable" or "Due To" for goods or services received by June 30 but not scheduled for payment by June 30. This entry is necessary because expenditures are recorded in the fiscal year the goods or services are received, not the fiscal year the invoice is actually paid. A-8 adjusting entries are **not** made for goods or services received after June 30. A-8 entries are usually recorded in the Clearing Account, if used.

NOTE: Personal services incurred as of June 30 that will be paid in the new FY must also be accrued. Departments using the CALSTARS Labor Distribution Subsystem must record the Personal Services accrual with Document Number/Suffix **PRA99999-99**. Use Object Detail **003** for the last transaction entered.

During the new year, the Labor Distribution Subsystem will liquidate this accrual by posting prior year Personal Services costs (TC 378) to this

Document Number/Suffix. This continues each month during labor distribution until the department closes the document or the OC Table Error Severity Indicator code **F** (Fund Related, position 1, 2, and 3 or 4) disallows posting because no funds are available in the document. The transaction then posts to the Error Suspense File where it may be adjusted by changing TC 378 to TC 242 or TC 372.

EXCEPTION: Departments with federal grants may need to encumber accruals in lieu of preparing the A-8 entry for federal expenditures. If accruals are encumbered, they will not show as expenditures on CALSTARS reports used for the monthly Plan of Financial Adjustment (PFA). This will help ensure that expenditures are not overstated when completing the PFA for a federal drawdown. Use Document Number/Suffix **A8nnnnnn-nn** for these encumbrances. The encumbrances are shown as GL 3010 in the Pre-closing and Post-closing Trial Balances on the G02 Report. In order to reflect the correct general ledger liability accounts in CALSTARS, i.e., GLs 3110, 3210, 3220, or 3290, the encumbrances must be reclassified to the correct account using TC 517 or TC 519. Refer to the *Reclassify Encumbrances Reported As Accounts Payable* section in Chapter V for further instructions.

NOTE: The H11 Report for FM 13 reflects accrued expenditures, including Capital Outlay and equipment purchases, at the time the accruals are posted, not when actual payment is made. This may impact the reconciliation of property records.

Exhibit II-7 displays the transaction codes used to establish, liquidate and adjust accounts payable documents. These entries are made only if the goods or services were received by June 30. The Debit GL for each of the TCs in the "Set Up TC" column is GL 9000-Expenditures. The Credit GL is shown in the "General Ledger Liability Account" column.

When setting up accounts payables for previously encumbered documents, use of the **F** (Final Payment) Modifier code will liquidate the entire balance (plus or minus) in the Document File. Accounts payable documents must be liquidated/adjusted for the exact amount. Differences should be adjusted to zero as soon as possible and the document should be closed (Modifier=**C**) to preclude further Document File posting.

A-8 adjusting entries are **NOT** reversed in the new year, except for entries for estimated accruals.

EXHIBIT II-7
A-8 ENTRY TRANSACTION CODES

Vendor Description	Vendor Type	General Ledger Liability Account	Account Title	Previous Status	Transaction Codes						
					Set Up	Payment			Adjustments		
						Auto	Manual	SCO Pay	Increase	Decrease Payable Balance	Correct Overpayment of Accrual
Corporation (includes Non-profit Foundation) Individual/Sole Proprietor Partnership Estate or Trust Employee	C I P E 1	3010	Accounts Payable	Previously Encumbered	214 ^{1/}	233	246	248	215	205	498
				Not Previously Encumbered	215	233	246	248	215	205	498
Federal Agency	2	3210	Due to Federal Gov't	Previously Encumbered	208 ^{1/}	268	284	263	283	201	283
				Not Previously Encumbered	283	268	284	263	283	201	283
CA State Departments (includes CSU & CSU Trustees)	3	3110	Due to Other Funds	Previously Encumbered	209 ^{1/}	261	203	262	285	204	285
				Not Previously Encumbered	285	261	203	262	285	204	285
Local Government Agencies (Includes Cities and Counties)	4	3220	Due to Local Gov'ts	Previously Encumbered	208 ^{1/}	268	284	263	283	201	283
				Not Previously Encumbered	283	268	284	263	283	201	283
Other Governmental Agencies (Includes School Districts, Community Colleges, Regents/UC's and Other State Govts)	5	3290	Due to Other Gov'ts	Previously Encumbered	208 ^{1/}	268	284	263	283	201	283
				Not Previously Encumbered	283	268	284	263	283	201	283

^{1/}Do not include these transactions in auto reverse batches

ENTRY A-9: Record Revenue Accruals

The A-9 entry records revenue earned but not yet billed. These entries are typically made in CALSTARS throughout the fiscal year when revenue is billed or earned. At year-end, any estimated or earned but unbilled revenue is recorded using an A-9 entry. The transactions codes are the same that are used to record revenue throughout the year:

TC 120-Record Billing of Accounts Receivable-Revenue (if earned)
 Dr. 1313 Accounts Receivable Revenue
 Cr. 8000 Revenue

TC 121-Record Billing of Accounts Receivable – Operating Revenue (if earned)
 Dr. 1314 Accounts Receivable Revenue – Operating Revenue
 Cr. 8000 Revenue – Operating Revenue

TC 128-Record Due From Other Govts-Revenue (if earned)
 Dr. 1500 Due From Other Governments ¹
 Cr. 8000 Revenue

TC 176-Record Due From Other Funds-Revenue (if earned)
 Dr. 1400 Due From Other Funds or Appropriations ¹
 Cr. 8000 Revenue

Any current year billed revenue receivable not expected to be collected in the next fiscal year should be deferred. Reverse the original Accounts Receivable – Revenue posting and post the appropriate TCs as follows:

TC 505-A-9 Establish Deferred Accounts Receivable – Operating Revenue
 Dr. 1314 Accounts Receivable Revenue – Operating Revenue
 Cr. 1600 Provision for Deferred Receivables

TC 506-A-9 Establish Deferred Accounts Receivable – Revenue
 Dr. 1313 Accounts Receivable Revenue
 Cr. 1600 Provision for Deferred Receivables

TC 507-A-9/A-12 Establish Deferred Accounts Receivable – Due From Other Funds or Appropriations
 Dr. 1400 Due From Other Funds or Appropriations ¹
 Cr. 1600 Provision for Deferred Receivables

TC 509-A-9/A-12 Establish Deferred Accounts Receivable – Due From Other Governments
 Dr. 1500 Due From Other Governments ¹
 Cr. 1600 Provision for Deferred Receivables

Both the reversal of the original accounts receivable and the A-9 entries (TC 505, TC 506, TC 507, TC 509) are reversed in the new year. Auto-reverse batches are recommended for these entries.

Year-end revenue accruals not supported by invoices should be reversed and re-entered when the invoices are prepared.

^{1/} Use unique document numbers for TC's that require a Subsidiary.

Prior Year Accounts Receivable Revenue

All prior year accounts receivable revenue must be deferred. Departments may use the automated process (CFY023) discussed in Chapter I, Preparation Activities, section *Reclassify/Liquidate Reverting Appropriation Document File Balances*. If the automated process was not used, the entries must be posted manually using the transaction codes displayed in that section.

Excess Revenue Collections From Other Funds or Other Governments

Occasionally there is an excess collection of revenue from other funds, the federal government or some other governmental entity. If the excess collection is returned after June 30, an accrual entry reducing revenue must be made:

TC 552-Accrue YE Due to Other Govt (Excess Collections)

Dr. 8000 Revenue

Cr. Input GL (3210, 3220 or 3290)

TC 557-Accrue YE Due to Other Funds/Appropriations (Excess Collections)

Dr. 8000 Revenue

Cr. 3110 Due to Other Funds or Appropriations

The above entries are reversed in the new year. Auto-reverse batches are recommended.

NOTE: The liability accrual (GLs 3110, 3210, 3220 or 3290) is not included on the DB1 Report. For reconciliation purposes, the amount of the TC 552 or TC 557 entry must be added to the SCO account balances.

ENTRY A-10: Adjustment for Dishonored Checks

CALSTARS departments are required to account for dishonored checks by using transactions to adjust the nominal accounts during the year. Typically, this involves adjusting the nominal accounts by recording transactions to reimburse the bank for the dishonored check and establish a receivable in GL 1315-Accounts Receivable-Dishonored Checks with an offset to GL 1600-Provision for Deferred Receivables. At year-end, the A-10 entry is required for the dishonored checks considered to be collectible during the next year. The A-10 entry removes the collectible dishonored checks from GL 1600 and reflects the amount in the nominal account. Refer to the chart below for the transactions to use for posting the A-10 entry.

A-10 Adjusting Entries			
Account		Description	TC
Debit	Credit		
1600		Provision for Deferred Receivables	
	3110	Due to Other Funds or Appropriations	585
	3400	Advance Collections	586
	3730	Uncleared Collections	587
	8000	Revenue	588
	8100	Reimbursements	589
	9000	Abatement	590
	9830	Other Sources	578
	9891	Refunds to Reverted Appropriations	591

NOTE: If an A-10 adjusting entry is required, the FM 13 reconciliation to SCO balance will not agree by the amount of the A-10 entry, except GL 3400 and GL 3730.

A-10 entries are reversed in the new year. Auto-reverse batches are recommended.

ENTRY A-11: Alternative Adjustment for Dishonored Checks

CALSTARS departments do not prepare the A-11 adjusting entry. Refer to the A-10 adjusting entry.

ENTRY A-12: Establish Reserve for Deferred Accounts Receivable for Abatements and Reimbursements

The A-12 entry establishes a reserve for accounts receivable abatements and reimbursements estimated to be uncollectible during the next fiscal year. Reverse the original Accounts Receivable – Reimbursements or Abatements posting(s) and post the appropriate TCs as follows:

TC 503-A-12 Establish Deferred Accounts Receivable – Reimbursements
 Dr. 1312 Accounts Receivable – Reimbursements
 Cr. 1600 Provision for Deferred Receivables

TC 504-A-9/A-12 Establish Deferred Accounts Receivable – Abatements
 Dr. 1311 Accounts Receivable-Abatements
 Cr. 1600 Provision for Deferred Receivables

TC 507-A-9/A-12 Establish Deferred Accounts Receivable – Due From Other Funds or Appropriations
 Dr. 1400 Due From Other Funds or Appropriations ¹
 Cr. 1600 Provision for Deferred Receivables

TC 509-A-9/A-12 Establish Deferred Accounts Receivable – Due From Other Governments
 Dr. 1500 Due From Other Governments ¹
 Cr. 1600 Provision for Deferred Receivables

Both the reversal of the original accounts receivable and the A-12 entries are reversed in the new year. Auto-reverse batches are recommended.

ENTRY A-13: Transfer CIST to Fund Balance

Typically, CALSTARS departments **do not post** the A-13 entry. During the YEC process, CALSTARS closes GL 1140-Cash in State Treasury into GL 5570-Fund Balance Clearing for funds identified as shared in the D22-Statewide Fund Descriptor Table. The G02 Post Closing Trial Balance will not display GL 1140.

^{1/} Use unique document numbers for TC's that require a Subsidiary.

Verify on the G02 Post Closing Trial Balance that GL 1140 balance has closed into GL 5570. If the G02 Post Closing Trial Balance reflects a balance in GL 1140 for a shared fund, one of the following entries must be manually posted.

If Cash in State Treasury has a debit balance:

TC 501-YEC-To close Debit Balance GL-Shared Fund
Dr. 5570 Fund Balance Clearing Account
Cr. (Input 1140) Cash in State Treasury

If Cash in State Treasury has a credit balance:

TC 502-YEC-To close Credit Balance GL-Shared Fund
Dr. (Input 1140) Cash in State Treasury
Cr. 5570 Fund Balance-Clearing Account

The transactions above are generated during the YEC process for shared funds. Funds that are identified in the D22-Statewide Fund Descriptor Table as non-shared funds are not impacted by this entry.

A-13 entries are **NOT** reversed in the new year.

PREPARE ADJUSTING ENTRIES FOR TRANSFERS AND LOANS

The following adjusting entries should be posted in FM 13 to accrue activities related to Interfund Transfers, Interfund Loans, and Loan Principal Disbursements:

Interfund Transfers

TC	PURPOSE	GL DEBIT	GL CREDIT
260	To accrue Operating Transfers – In	1400	9811
285	To accrue Expenditure Transfers	9000	3110
560	To accrue Expenditure Transfers (abatement)	1400	9000
579	To accrue Operating Transfers – Out	9812	3110

For more information, refer to Volume 3, Chapter II, Accounting For Interfund Transfers.

Interfund Loans/Interfund Cash Transfers

TC	PURPOSE	GL DEBIT	GL CREDIT
L02	To reduce long-term loan receivable by the amount of accrued repayment	5370	2170
L04	To reduce long-term loan payable by the amount of accrued repayment	4050	2500
176	To accrue interest on loan Due From Other Funds	1400	8000
260	To accrue Operating Transfers – In for current amount of loan principal Due From Other Funds (Loan Repayment)	1400	9811
285	To accrue interest expense on loan Due to Other Funds	9000	3110
579	To accrue Operating Transfers – Out for current amount of loan principal Due To Other Funds	9812	3110

For more information, refer to Volume 3, Chapter IV, Accounting for Interfund Loans.

Loan Principal Disbursements

TC	PURPOSE	GL DEBIT	GL CREDIT
L31	To reduce long term loan	5380	2110
L41	To accrue current amount of loan principal due from individuals or non-governmental entities and reduce long-term loan.	1330 5380	9830 2110
L42	To accrue current amount of loan principal Due From Other Governments	1500	9830
L43	To adjust GL 2140 for current amount of loan principal Due From Other Government	5380	2140
L44	To accrue amount of loan principal due when no long-term loan has been established	1330	9830
L48	To accrue refund on loan repayment principal	9830	3010
121	To accrue interest on loan due from individuals or non-governmental entities.	1314	8000
128	To accrue interest on loan due from non-state governmental entities	1500	8000

For more information refer to Volume 3, Chapter V, Accounting for Loan Disbursements.